



Should You Buy, Sell, or Hold Shaw Communications Inc. Following its Q2 Earnings Miss?

Description

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)), one of the largest telecommunications and media companies in Canada, announced second-quarter earnings before the market opened on April 14, and its stock has responded by falling over 3%. Let's take a closer look at the results to determine if this weakness represents a long-term buying opportunity, or a major warning sign.

Breaking down the quarterly miss

Here's a summary of Shaw's second-quarter earnings results compared to what analysts had anticipated and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	\$0.34	\$0.39	\$0.46
Revenue	\$1.34 billion	\$1.35 billion	\$1.27 billion

Source: Financial Times

Shaw's earnings per share decreased 26.1% and its revenue increased 4.9% compared with the second quarter of fiscal 2014. The company's double-digit decline in earnings per share can be attributed to net income decreasing 24.3% to \$168 million.

Its solid revenue growth can be attributed to revenues increasing 8.4% to \$129 million in its business network services segment, but this growth was partially offset by a 0.5% decline to \$937 million in its consumer segment and a 0.4% decline to \$238 million in its media segment.

Here's a quick breakdown of eight other notable statistics from the report compared to the year-ago period:

1.

Total consumer subscribers decreased by 65,215 from the end of the first quarter to 5,500,209
2.

Total business network services subscribers decreased by 58,067 from the end of the first

quarter to 6,065,798

3. Operating income before restructuring costs and amortization increased 5.5% to \$557 million
4. Cash flow provided by operating activities increased 7.5% to \$442 million
5. Funds flow from operations increased 1.1% to \$361 million
6. Capital expenditures and equipment costs increased 9.6% to \$229 million
7. Free cash flow increased 7% to \$169 million
8. Ended the quarter with \$136 million in cash, an increase of 466.7% from the beginning of the quarter

Should you buy Shaw Communications on the dip?

Even though I think the post-earnings drop in Shaw's stock is warranted, I also think it has led to a long-term buying opportunity because it trades at inexpensive valuations and pays a very high dividend.

First, Shaw's stock trades at just 15.3 times fiscal 2015's estimated earnings per share of \$1.82 and only 14.5 times fiscal 2016's estimated earnings per share of \$1.92, both of which are inexpensive compared to its five-year average price-to-earnings multiple of 15.5.

Second, Shaw pays a monthly dividend of \$0.09875 per share, or \$1.185 per share annually, giving its stock a bountiful 4.25% yield at today's levels. The company has also increased its annual dividend payment for 12 consecutive years, making it one of the top dividend-growth plays in the market today.

With all of the information provided above in mind, I think the post-earnings weakness in Shaw Communication's stock represents a very attractive long-term buying opportunity. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

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Author

jsolitro

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